

How to Review a SAR

(Key attributes of a good SAR)

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Background

- Legal reporting requirement for **MDAPs** and other programs that meet the cost criteria – some highly sensitive classified programs are excluded. (**10 U.S.C. 2432**)
- Provides Congress the cost, schedule, and technical status of programs.
- **Content is prescribed by law** and changes require prior notification.
- Annual SAR is mandatory for all reporting programs.
- Quarterly exception SARs are required for unit cost increases of 15 percent or schedule delays of 6 months – measured from the last SAR submission.
- Quarterly SARs are also submitted for initial, final, and rebaselines after major milestones.
- Reporting may be terminated after 90 percent of deliveries or expenditures.

Before You Get Started

- Copy of prior SAR
- Current Guidance (including inflation rates)
 - Current Data Checks
- Copy of most recent DAES
- Budget Justification Material

Key Points to Consider

Audience: Primarily Congress, also GAO and the Public

Consistency:

- President's Budget – FYDP and justification material_
- Staffer Briefings
- Congressional Testimony

General Aspects of a Good SAR

- **Narratives should be well written**
- A “summary” should be a “summary”, not a rambling narrative
- Key events since the last SAR should be highlighted
- **Information must be accurate**
- No spelling errors – ACRONYMs spelled out in narratives – Schedule and Performance sections have lists
- **Numbers must be consistent in all sections**
- Information should be appropriate to the section
- Changes from the previous SAR should be explained – **focus on the cause of the change**
- Ensure security classification is accurate
- Make sure all sections are completed

Mission and Description

Executive Summary

- **Mission and Description** rarely changes from one SAR to the next – should be brief
- **Executive Summary** - Key events since the last SAR, major milestone decisions, APB breaches and proposed plan or resolution, contract awards, contract issues, status of major tests, Congressional actions, etc. **History or background should be minimal.**
 - Specific language required if this is the first or last SAR submission, or quarterly exception submission
 - Specific language required if there are no significant software related issues

Cost Variance

Change Summary and Current Change Explanations

- The Change Summary includes two tables – one in **Then-Year \$** and one in **Base-Year \$** -- by appropriation type
- Each table shows “previous changes” and “current changes”
- Previous changes normally reflect the sum of the previous and current changes in the prior SAR and are automatically calculated
- Changes are broken down into various categories and current changes are drawn from the explanation section:
 - **Economic**
 - **Quantity**
 - **Schedule**
 - **Engineering**
 - **Estimating**
 - **Other**
 - **Support**

Cost Variance

How do you assign changes to the proper category?

Economic - Automatically calculated based on the current and previous inflation rates

Quantity - Automatically calculated based on an increase or decrease in the total number of fully configured end items reported

Schedule - Automatically calculated based on a change in any year compared to the previous cost estimate (PCE)

Engineering - Due to a change in the physical or functional characteristics of an end-item or subsystem - configuration changes

Estimating - Refinement of a prior estimate - change in cost estimating assumptions not covered in any of the other categories

Other - Rarely used, must be approved by OSD - Changes due to natural disasters, strikes, or similar unforeseeable events not covered in other categories

Support - Any change in cost not associated with “flyaway” costs, e.g., spares, other weapon system costs, training, data, etc.

Cost Variance

Example Change Explanations

Economic – explanation not required, standard entry provided

Quantity – “increase of 25 vehicles from 225 to 250”

Schedule – “stretch-out in schedule from FY05-10 to FY05-13”
“acceleration of annual buy profile from 25 to 30 units a year”
“acceleration of buy, procurement ends in FY11 instead of FY15”

Engineering – “addition of new environmental control unit”
“removal of enclosed mast”

Estimating – “change in test estimates” “refined material cost estimates” “increase in labor hour projections” “update of EACs based on contract performance”

Support – “increase in Initial Spares to support an additional 25 vehicles” “addition of a fifth training simulator”

Funding and Cost

Funding Annual Summary

- **An LRIP footnote is required**
 - date of initial LRIP decision
 - initial approved LRIP quantity
 - current approved LRIP quantity
 - **if LRIP quantity is greater than 10% of the total procurement buy, justification should be provided**
- Unit of Measure footnote may be required if not obvious
- Flyaway costs should be broken down between recurring and non-recurring
- Support costs should be broken down between other weapon system and initial spares
- Foreign Military Sales and Nuclear Costs should be shown if appropriate or “none” indicated
- **EXPLAIN DIFFERENCES or APPARENT DIFFERENCES Between SAR reported cost and the FYDP or TOTAL PROGRAM BUDGET in a footnote**

Contract Information

Key information:

- Contract Name – **depicts type of effort** – e.g., Development, SDD, Procurement, Trainers, Lot 5, Engineering Support
- Contractor Name & Location – **should indicate primary work site**
- Contract number & type – Award & Definitization dates
- **“Price” data vice “Cost”** data shown in DAES
- Cost and Schedule Variances (based on EVMS data) are shown under Explanation of Changes
- **Explanation of Target Price changes are included under Contract Comments**
- Additional comments may be included under Contract Comments

Threshold Breaches

APB Breaches –

- Schedule, Cost, and Unit Cost breaches are automatically calculated and checked. Performance breaches must be checked by the preparer.
- Breaches can be confirmed by double-checking the Schedule, Performance Characteristics, and Funding and Cost Sections, and by consulting Data Checks.
- **All breaches should be explained, including the status of the breach and planned resolution.**

Threshold Breaches

Nunn-McCurdy Breaches –

- Breaches are calculated and indicated against both the “Current” UCR baseline and the “Original” UCR baseline for PAUC and APUC
- **“Significant”** – an increase of 15% or more against the current APB or 30% or more against the original APB
- **“Critical”** – an increase of 25% or more against the current APB or 50% or more against the original APB
- All breaches should be explained, including the status of the breach and planned resolution
- Programs with “critical” breaches require “certification” by USD(AT&L) prior to being allowed to continue

Miscellaneous Sections

Points of Contact – If a new PM has been assigned since the last SAR, you might want to review more closely

Track to Budget – Helps identify what budget documentation you should look for to ensure consistency – **Check to make sure all appropriations are reflected in the Funding Annual Summary section**

References – Should identify **latest approved APB** and be consistent with other sections of the SAR

Schedule & Performance Characteristics – **COMPARE AGAINST THE PRIOR SAR** - Be sure that changes in the Current Estimate are explained in a from/to format. Similar change explanations can be grouped.

Deliveries and Expenditures – If the percent delivered or expended is 90% or more, the program may qualify for SAR termination.

Summary

- Remember the purpose of the report and the intended audience
- Be clear, concise, and accurate
- **Be consistent with other reports and budget material**
- Be sure the report is prepared and reviewed by the appropriate persons prior to submission to OSD:
 - **Program Manager**
 - **PEO**
 - **Service SAE staff**